



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

February 5, 2015

H.R. 640
Private Foundation Excise Tax Simplification Act of 2015
As ordered reported by the House Committee on Ways and Means on February 4, 2015

H.R. 640 would amend the Internal Revenue Code to restructure the excise tax on net investment income of private foundations from a dual-rate system (tax rates of 1 percent and 2 percent) to a single-rate system with a rate of 1 percent. Under current law, the calculation of the amount of excise tax differs depending on whether the foundation is exempt from income taxes or not, but in both cases a foundation faces a general excise tax rate of 2 percent on its net investment income. The rate of tax is reduced to 1 percent when a foundation has made charitable distributions in a year that exceed an amount based largely on its historical rate of distributions relative to its assets.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 640 would reduce revenues, thus increasing federal budget deficits, by about \$2.0 billion over the 2015-2025 period. The estimated budgetary effects of H.R. 640 are shown in the following table.

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015- 2020	2015- 2025
CHANGES IN REVENUES													
Estimated Revenues	*	-129	-172	-180	-187	-195	-203	-212	-221	-230	-240	-863	-1,969

Source: Staff of the Joint Committee on Taxation.

Note: * = less than \$500,000.

Although enacting H.R. 640 would affect revenues, the provisions of the Statutory Pay-As-You-Go Act of 2010 do not apply to the legislation because it includes a provision that would direct the Office of Management and Budget to exclude the estimated changes in revenues from the scorecards used to enforce the pay-as-you-go rules.

JCT has determined that the bill contains no intergovernmental or private-sector mandates

as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Nathaniel Frenz. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.